

**LYMAN TOWN**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

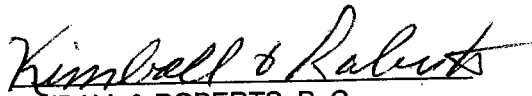
*Phone 896-6488*

Honorable Mayor and Town Council  
Lyman Town  
Lyman, Utah 84749

We have compiled the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lyman Town as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion, or any other form of assurance, on them.

The management's discussion and analysis and budgetary comparison information, on pages 4 through 8 and 26 through 28, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

Richfield, Utah  
March 8, 2007

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is used to assist in formatting, for easier reading)

**LYMAN TOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended June 30, 2006**

The discussion and analysis of Lyman Town for the year ending June 30, 2006 and provides an overview of the Town's financial activities. This report is in conjunction the Town's financial statements, which are part of this report.

**Financial Highlights:**

- The assets of the Town exceeded its liabilities at the close of the most recent year by \$327,547 (*net assets* ). Of this amount, \$64,012 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations.
- As of the close of the current calendar year, the Town's governmental funds reported an ending fund balance of \$131,023, an increase of \$6,244. Of this fund balance \$64,012 is available for spending at the Town's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$64,012 or 189% of total general fund expenditures.
- The Town didn't have any debt during the current calendar year.

**Using This Annual Report:**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements:**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town's assets, liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent calendar year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both the government-wide financial statements distinguish functions of the Town that are principally supported by assessed fees assessed as taxes and other funds from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town are general government, highways and streets, parks, recreation and cemetery.

The government-wide financial statements can be found on pages listed in the table of contents.

*Fund financial statements* . A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only governmental fund is the general fund.

### **Governmental Funds:**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with these budgets.

The basic financial statements can be found as listed in the table of contents.

### **Notes To The Financial Statements:**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

**Condensed Financial Statements:**

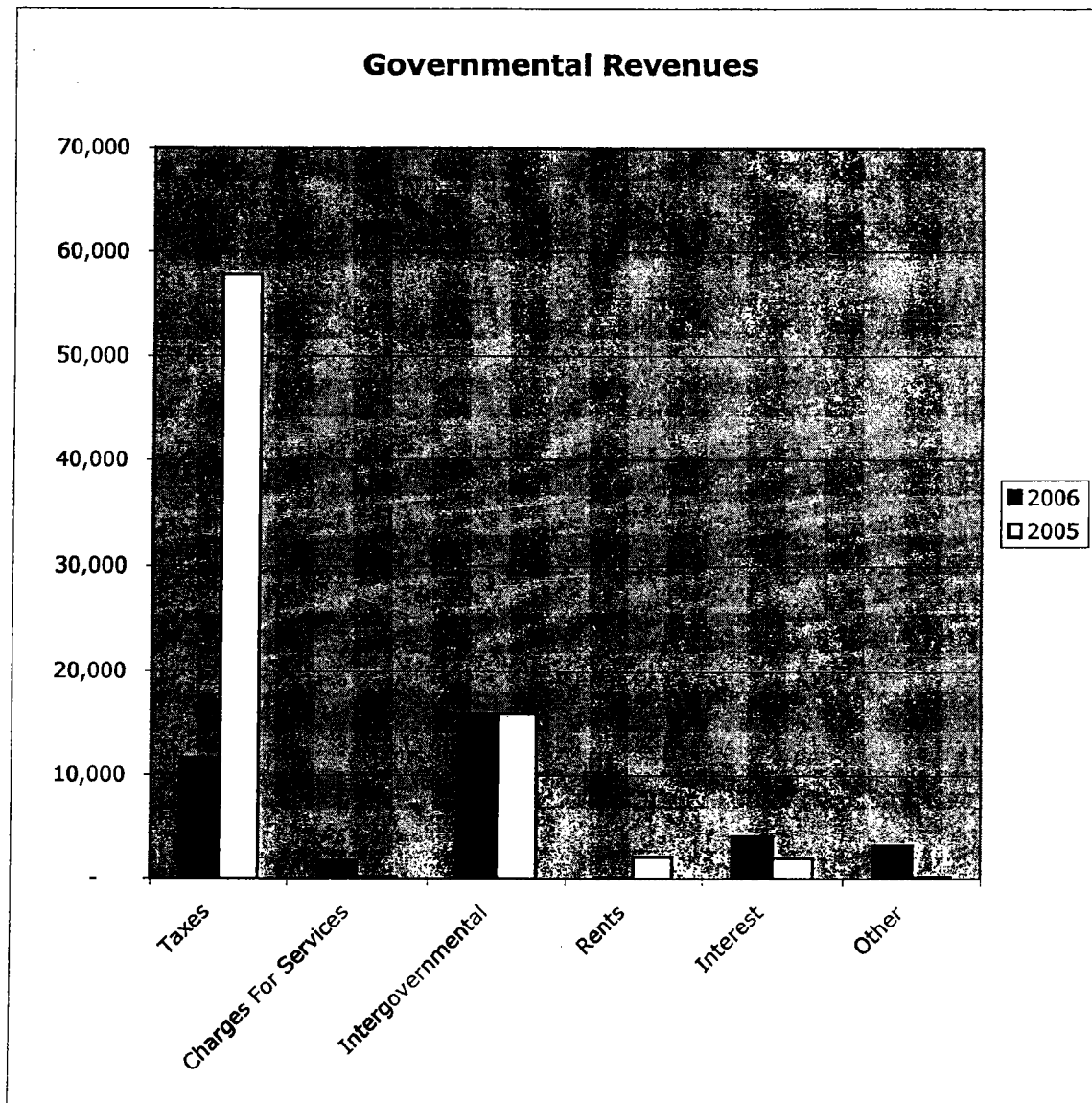
	<u>2006</u>	<u>2005</u>		<u>2006</u>	<u>2005</u>
<b>Assets:</b>			<b>Revenues:</b>		
Current	131,023	124,779	General Revenues	36,941	62,229
Non-Current	<u>196,524</u>	<u>204,853</u>	Grants	-	16,008
Total Assets	<u>327,547</u>	<u>329,632</u>	Total Revenues	<u>36,941</u>	<u>78,237</u>
<b>Liabilities:</b>			<b>Expenditures:</b>		
Current	-	-	Current	39,026	34,333
Long-Term	-	-	Total Expenditures	<u>39,026</u>	<u>34,333</u>
Total Liabilities	<u>-</u>	<u>-</u>			
<b>Net Assets:</b>					
Invested In Capital Assets, Net of Debt	196,524	204,853			
Restricted	73,008	54,278	Change in Net Assets	(2,085)	43,904
Unrestricted	<u>58,015</u>	<u>70,501</u>	Beginning Net Assets	<u>329,632</u>	<u>285,728</u>
Net Assets	<u>327,547</u>	<u>329,632</u>	Ending Net Assets	<u>327,547</u>	<u>329,632</u>

**Contacting the Town:**

This financial report is designed to provide the citizens with a general overview of the Town's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lyman Town, P.O. Box 23, Lyman, UT 84749.

**Lyman Town**  
**Governmental Revenues**  
**For The Fiscal Years Ending June 30, 2006 and 2005**

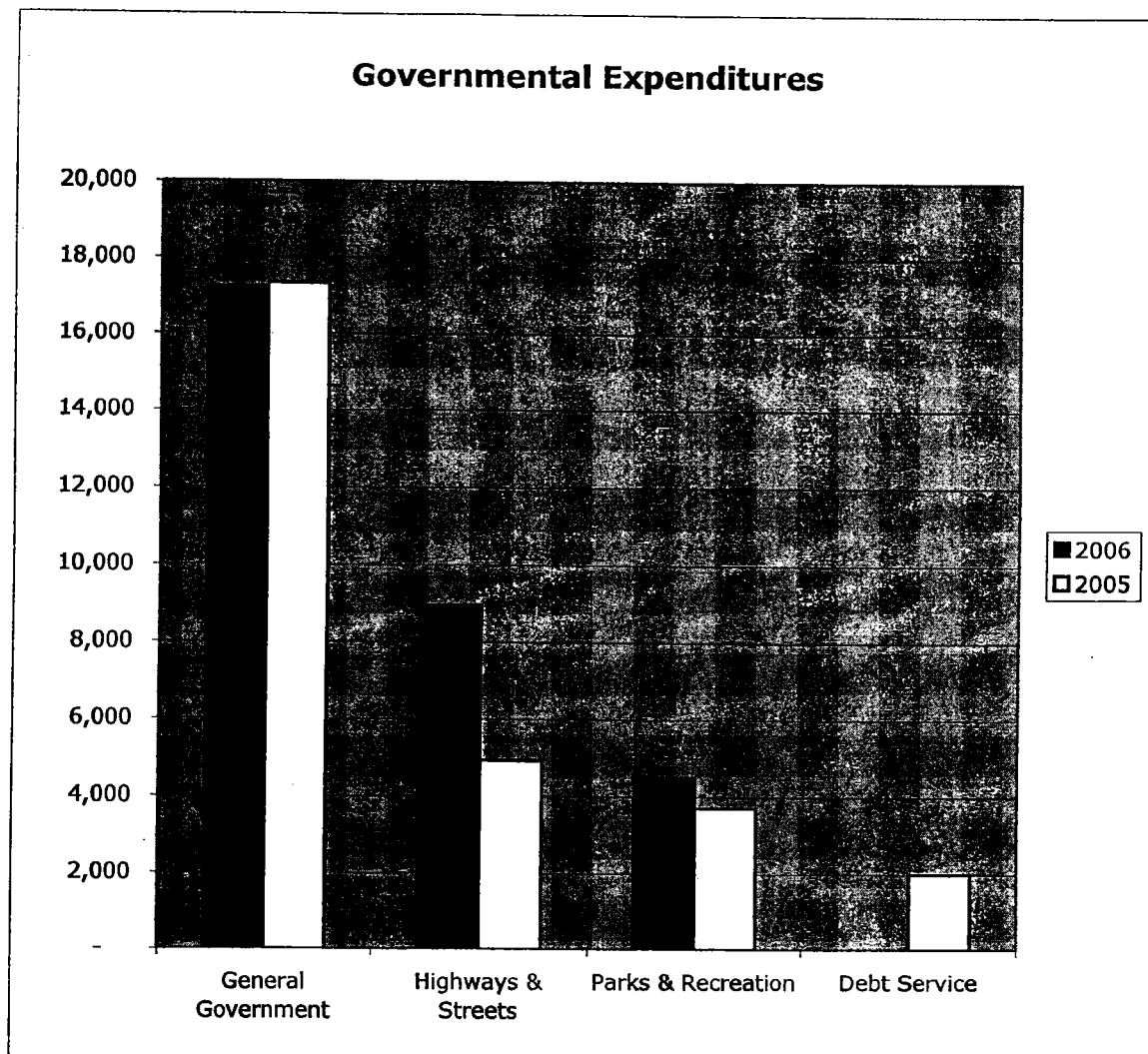
	2006	2005
Taxes	11,739	57,775
Charges For Services	1,725	200
Intergovernmental	15,997	16,009
Rents	125	2,075
Interest	4,116	1,999
Other	3,239	180
<b>Total Revenues</b>	<b>36,941</b>	<b>78,238</b>





**Lyman Town**  
**Governmental Expenditures**  
**For The Fiscal Years Ending June 30, 2006 and 2005**

	2006	2005
General Government	17,239	17,337
Highways & Streets	8,960	4,928
Parks & Recreation	4,498	3,712
Debt Service		1,998
Total Expenditures	30,697	27,975



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# **BASIC FINANCIAL STATEMENTS**

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**LYMAN TOWN  
STATEMENT OF NET ASSETS**

June 30, 2006

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	<u>131,023</u>
Total Current Assets	<u>131,023</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	7,500
Buildings	144,947
Improvements Other Than Buildings	12,677
Equipment	1,000
Infrastructure	<u>30,400</u>
Total Noncurrent Assets	<u>196,524</u>
TOTAL ASSETS	<u>327,547</u>
<b>LIABILITIES</b>	
Current Liabilities	<u>-</u>
<b>NET ASSETS</b>	
Investment in Capital Assets, Net of Debt	196,524
Restricted For:	
Class C Road	35,946
Perpetual Care	31,065
Unrestricted	<u>64,012</u>
TOTAL NET ASSETS	<u>327,547</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>327,547</u></u>

See accompanying notes and accountant's report.

**LYMAN TOWN  
STATEMENT OF ACTIVITIES**

**For The Fiscal Year Ended June 30, 2006**

					Net (Expense) Revenues and Changes In Net Assets
					<u>Primary Government</u>
					<u>Governmental Activities</u>
Function/Programs Primary Government:	<u>Expenses</u>	<u>Program Revenues</u>			
		<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>	<u>Capital Grants/ Contributions</u>	
Governmental Activities:					
General Government	18,960	-	83	-	(18,877)
Highways and Public Improvements	13,760	-	15,914	-	2,154
Parks, Cemetery and Recreation	<u>6,306</u>	<u>1,725</u>	<u>-</u>	<u>-</u>	<u>(4,581)</u>
Total Governmental Activities	<u>39,026</u>	<u>1,725</u>	<u>15,997</u>	<u>-</u>	<u>(21,304)</u>
<b>General Revenues:</b>					
Property Taxes					3,490
Sales Taxes					8,249
Unrestricted Investment Earnings					4,116
Other					<u>3,364</u>
Total General Revenues and Transfers					<u>19,219</u>
Change in Net Assets					(2,085)
Net Assets - Beginning					<u>329,632</u>
Net Assets - Ending					<u>327,547</u>

See accompanying notes and accountant's report.

**LYMAN TOWN  
BALANCE SHEET  
GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2006**

	<u>General Fund</u>	<u>Non-Major Perpetual Care Permanent Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	<u>99,958</u>	<u>31,065</u>	<u>131,023</u>
<b>TOTAL ASSETS</b>	<u><u>99,958</u></u>	<u><u>31,065</u></u>	<u><u>131,023</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved For:			
Class C Road	35,946	-	35,946
Perpetual Care	-	31,065	31,065
Unreserved	<u>64,012</u>	<u>-</u>	<u>64,012</u>
<b>Total Fund Balance</b>	<u>99,958</u>	<u>31,065</u>	<u>131,023</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>99,958</u></u>	<u><u>31,065</u></u>	<u><u>131,023</u></u>

See accompanying notes and accountant's report.

**LYMAN TOWN**  
**BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

**June 30, 2006**

Total Fund Balances - Governmental Fund Types	131,023
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the funds:

Land	7,500	
Buildings	144,947	
Improvements Other Than Buildings	12,677	
Equipment	1,000	
Infrastructure	<u>30,400</u>	

Total		<u>196,524</u>
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Net Assets of Government Activities	<u><u>327,547</u></u>
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**LYMAN TOWN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2006**

	General Fund	Non-Major Perpetual Care Permanent Fund	Total
<b>Revenues:</b>			
Taxes	11,822	-	11,822
Licenses and Permits	185	-	185
Charges for Services	1,725	-	1,725
Intergovernmental Revenue	15,914	-	15,914
Interest	2,832	1,284	4,116
Rents and Concessions	125	-	125
Miscellaneous	3,054	-	3,054
	<u>35,657</u>	<u>1,284</u>	<u>36,941</u>
<b>Total Revenues</b>	<u>35,657</u>	<u>1,284</u>	<u>36,941</u>
<b>Expenditures:</b>			
Current:			
General Government	17,239	-	17,239
Highways and Public Improvements	8,960	-	8,960
Culture and Recreation	4,498	-	4,498
	<u>30,697</u>	<u>-</u>	<u>30,697</u>
<b>Total Expenditures</b>	<u>30,697</u>	<u>-</u>	<u>30,697</u>
<b>Net Change In Fund Balance</b>	4,960	1,284	6,244
<b>Fund Balance - Beginning</b>	94,998	29,781	124,779
<b>Fund Balance - Ending</b>	<u>99,958</u>	<u>31,065</u>	<u>131,023</u>

See accompanying notes and accountant's report.



**LYMAN TOWN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For The Fiscal Year Ended June 30, 2005**

Amounts reported for governmental activities in the statement of activities  
are different because:

Net Changes in Fund Balances - Total Governmental Funds	6,244
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Governmental funds report capital outlays as expenditures. However, in  
the statement of activities the cost of those assets is allocated over their  
estimated useful lives and reported as depreciation expense. This is the  
amount by which capital outlays exceeded depreciation in the current period:

Depreciation Expense	<u>(8,329)</u>
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Changes In Net Assets of Governmental Activities	<u><u>(2,085)</u></u>
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**LYMAN TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Lyman Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

The following is a summary of the more significant policies:

**A. Reporting Entity**

Lyman Town is a municipal corporation in Wayne County, Utah. It is governed by an elected mayor and four member board. As required by generally accepted accounting principles, these financial statements are of the primary government, Lyman Town, the reporting entity. The Town has no component units.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**LYMAN TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Lyman Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government also reports the following non-major governmental fund:

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments:**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**LYMAN TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 Years
Improvements	25 Years
Equipment	7 Years

**Long-Term Obligations:**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**LYMAN TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Equity:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

**E. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**F. Budgets and Budgetary Accounting:**

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Board on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Board at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Some Towns find themselves with a deficit fund balance in one or more of their funds. The State Auditor has taken the position that a deficit, created by expenditures being made in excess of those budgeted, is an illegally created debit in violation of the Utah Constitution, Section XIV(3). As such, the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. Maximum in the general funds may not exceed 75% of the total estimated revenue of the general fund.

Once adopted, the budget may be amended by the Town Board without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

**LYMAN TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
Continued

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Property Taxes**

Property taxes are assessed and collected for the Town by Wayne County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Lyman Town maintains a cash investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

**Deposits:**

At year end, the carrying amount of the Town's deposits were \$25,391 and the bank balance was \$26,065. All of the bank balances were covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

Cash and investments as of June 30, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits - Checking	25,391
Investment - PTIF	<u>105,632</u>
Total Cash and Investments	<u><u>131,023</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Restricted	73,008
Governmental Activities - Unrestricted	<u>58,015</u>
	<u><u>131,023</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7.

**LYMAN TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invest in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

**Custodial Credit Risk:**

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$0 of the local government's bank balances of \$26,065 were uninsured and uncollateralized.

**LYMAN TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
Continued

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Credit Risk:**

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local government has investments of \$105,632 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Concentration of Credit Risk:**

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.



**LYMAN TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
Continued

**NOTE 3 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	7,500	-	-	7,500
Total Capital Assets Not Being Depreciated	7,500	-	-	7,500
Capital Assets Being Depreciated:				
Buildings	182,673	-	-	182,673
Improvements Other Than Bldg.	18,677	-	-	18,677
Machinery and Equipment	7,000	-	-	7,000
Infrastructure	76,000	-	-	76,000
Total Capital Assets Being Depreciated	284,350	-	-	284,350
Less Accumulated Depreciation For:				
Buildings	34,947	2,779	-	37,726
Improvements Other Than Bldg.	5,250	750	-	6,000
Machinery and Equipment	5,000	1,000	-	6,000
Infrastructure	41,800	3,800	-	45,600
Total Accumulated Depreciation	86,997	8,329	-	95,326
Total Capital Assets Being Depreciated (Net)	197,353	(8,329)	-	189,024
Governmental Activities Capital Assets, Net	204,853	(8,329)	-	196,524

Depreciation expense was charged to functions of the Primary Government as follows:

General Government	1,721
Highways and Public Improvements	4,800
Parks and Recreation	1,808
Total Depreciation Expense	8,329

**LYMAN TOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 4 - CLASS C ROAD**

The Town receives Class C Road money from the State of Utah for road construction and maintenance. The unexpended portion of this money is shown as reserved fund balance in the financial statements.

The following is schedule of receipts and disbursements in the Class "C" Road:

Balance - Beginning of Year		24,497
Receipts:		
State Allotments	16,501	
Interest	<u>1,449</u>	
Total Receipts		17,950
Disbursements		<u>(6,501)</u>
Balance - End of Year		<u><u>35,946</u></u>

**NOTE 5 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Utah Local Governments Trust. The insurance coverage's are written on a group purchase arrangement. All of the insurance coverage is brokered and written through various insurance companies. Utah Local Government Trust acts as the broker.

**Liability:**

The Town is insured for \$2,000,000 combined single limit with no deductible per occurrence for Comprehensive General Liability. Bodily injury, personal injury, property damage, public officials errors and omissions coverage \$2,000,000 aggregate each policy period with no deductible each accident.

**Automobile Liability:**

The Town is insured for automobile bodily injury for \$2,000,000 combined single limit per accident. Property damage \$1,000,000 aggregate each policy period. The coverage also covers uninsured motorist \$50,000 each accident and \$50,000 each policy period.

**Property:**

All of the property coverage is insured through Utah Local Government Trust. Buildings and equipment are covered based on replaced cost subject to a \$1,000 deductible.

**Workers Compensation:**

This coverage is provided through the Utah Local Government Trust.

The Town has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three fiscal years.

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**REQUIRED SUPPLEMENTARY  
INFORMATION  
"UNAUDITED"**

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**LYMAN TOWN**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**For The Fiscal Year Ended June 30, 2006**

**Budgetary Comparison Schedules:**

The Budgetary Comparison Schedules presented in this section of the report are for the Town's General Fund.

**Budgeting and Budgetary Control:**

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the Town Board prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Board through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

**LYMAN TOWN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

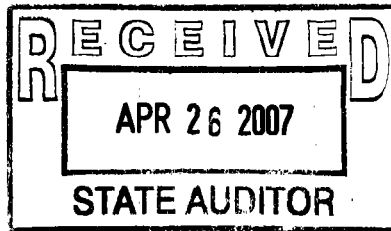
**For The Fiscal Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	3,490	3,490	3,490	-
General Sales and Use Taxes	8,300	8,300	8,332	32
Total Taxes	11,790	11,790	11,822	32
Licenses and Permits:				
Business Licenses	120	120	185	65
Intergovernmental Revenue:				
Class C Road	15,900	15,900	15,914	14
State Liquor Allotment	80	80	83	3
Wayne County Fire Department	700	700	700	-
Total Intergovernmental Revenue	16,680	16,680	16,697	17
Charges for Services:				
Cemetery	1,725	1,725	1,725	-
Miscellaneous Revenue:				
Interest	3,900	3,900	2,832	(1,068)
Rents and Concessions	2,400	2,400	125	(2,275)
Other	-	-	2,271	2,271
Total Miscellaneous Revenue	6,300	6,300	5,228	(1,072)
Total Revenues	36,615	36,615	35,657	(958)

**LYMAN TOWN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**For The Fiscal Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures:</b>				
General Government:				
Administration	5,000	5,000	4,976	24
Professional Services	1,200	1,200	1,200	-
Elections	900	900	897	3
Other	7,350	7,350	10,166	(2,816)
Total General Government	14,450	14,450	17,239	(2,789)
Streets and Public Improvements:				
Repairs and Maintenance	6,500	6,500	8,960	(2,460)
Culture and Recreation:				
Parks and Recreation	5,015	5,015	3,256	1,759
Cemetery	3,000	3,000	1,242	1,758
Total Culture and Recreation	8,015	8,015	4,498	3,517
Total Expenditures	28,965	28,965	30,697	(1,732)
Excess Revenues over Expenditures	7,650	7,650	4,960	(2,690)
Fund Balance, Beginning			94,998	
Fund Balance - Ending			99,958	



Dear Richard Moon:

April 23, 2007

I am writing you regarding the noncompliance letter we received and submit a corrective action plan for each area of noncompliance.

Regarding the fund balance in the general fund, we will be creating a capital improvement fund at our next town meeting on May 10<sup>th</sup>. We will then move the excess money of \$38,000 in to this fund. This fund will be set up to help with the new fire house project which is on going at this time.

Regarding the over spending in our 2006 budget I will actively review our spending through out the year and make the necessary amendments to keep us in compliance. This past year our road maintenance exceed our budget, the cost to have the crack seal work done had increased over the previous year. Also in the general government expenditures we over spent. This was due to the cost required to hire a summer maintenance worker, the lowest bid exceeded our expectation. This summer we know the cost and will budget accordingly.

I will be the contact person and responsible for the corrective actions and will ensure future compliance. Thank you for you support and patience.

Sincerely,

Kent Chappell  
Lyman Town Mayor  
435-836-2515